HEWLETT-PACKARD IMAGE STUDY

Final Report

Submitted to:

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Hewlett-Packard Image Study

HEWLETT-PACKARD IMAGE STUDY
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LIST OF EXHIBITS

HEWLETT-PACKARD IMAGE STUDY

I. INTRODUCTION

This report is the result of a study conducted by INPUT for McCann-Erickson.

A. Objectives

The specific objectives of the study, as presented in the study proposal, *Appendix B,* were to develop a profile of HP's image in the marketplace, and identify HP's key competitors in the information technology and services market.

B. Methodology

Several sources of information were utilized to develop the conclusions reached in this report. They include:

- Data drawn from INPUT's existing data base of information on HP and its competitors

- Interviews conducted with INPUT's consultants and analysts. (The interview guide is contained in *Appendix A*)

- Telephone interviews conducted with key industry leaders

A total of nine INPUT consultants were interviewed and five telephone surveys were completed. The focus of both sets of interviews was to obtain the respondents' opinions on HP's image as a whole, as well as their views on HP's individual lines of business. Emphasis was placed on those aspects of HP's business targeted at the information technology and services markets; namely the Computer Products and Computer Systems Divisions. Conclusions and recommendations were developed utilizing both the field interviews and the information obtained from INPUT's syndicated research studies.

C. Organization of the Report

- *Chapter II - Executive Summary* summarizes the overall conclusions drawn from the study.

- *Chapter III - Business Line Analysis* looks in greater deal at HP's major lines of business in terms of image and competition.

- *Chapter IV - Vertical/Cross-Industry Markets* presents INPUT's analysis of where HP stands with regard to specific market niches by industry or product/service line.

- *Chapter V - Conclusions/Recommendations* summarizes key conclusions and gives INPUT's recommendations for further study.

II. EXECUTIVE SUMMARY

A. Background

HP moved into the number-three ranking of computer companies in 1991; surpassing Unisys and following IBM and Digital Equipment Corporation, which hold the number-one and number-two positions. Of the total reported revenues of $14.5 billion in revenues in 1991, INPUT estimates that approximately $10.7 billion were the result of HP's participation in the information technology and services markets. The remainder were generated through its components and instrumentation divisions.

Volume shipment of the HP Laserjet III, estimated to command 75% share of its market according to Computer Intelligence, along with significant announcements in price/performance on its workstations, and significant growth in its multi-user UNIX business all led to a solid year in a weak worldwide economic environment. Product introductions such as the HP 9000 series 700 workstation, the HP 95 Palmtop computer and the HP DeskJet 500C printer gave HP a new presence in product markets where new offerings are critical to maintaining market share.

In general, HP showed good performance in 1991, doing well at what it's been doing well for a considerable period of time.

B. HP's Overall Image

Even though the sample was small, the analysis of the surveys produced some significant results in terms of HP's overall image.

- Respondents overwhelmingly see HP as a hardware products company. On a scale of 1 to 5, with five being the highest, the hardware categorization was rated 4.9. On the other end of the scale, respondents rated HP 2.3 in terms of being a solution provider (providing an integrated solution to meet customers' applications or processing requirements.).

- Furthermore, HP enjoys an image of being a quality firm producing quality products. The average response on the 1 - 5 scale rated HP 4.6 on quality.

- Of the product and service categories tested, the HP Laserjet printer received at rating of 4.3. (A discussion of market images for other major HP offerings is contained in *Chapter III.*)

Analysis of the field data would indicate that in general HP is perceived as a holding company with various divisions pursuing individual product strategies, exploiting a strong central R&D function. Little is done by the divisions or executive management to take advantage of the potential synergy between product offerings, or to provide a broader base of solutions that integrate third-party software with professional services. The exception to this position is in the area of manufacturing and factory floor automation, where HP's offerings have an excellent reputation and in some instances are considered the best available.

Several respondents commented that the single integrating factor for HP may be **quality**. But, the majority opinion was that HP did little to leverage its excellent reputation for quality in terms of its advertising or promotion. In fact, using the 1 - 5, scale HP's corporate advertising was ranked a mediocre 3.0, and a 3.2 at the divisional or product level. Five of the respondents couldn't recall anything specific about HP's corporate promotional strategy.

C. Competitive Positioning

As indicated in the *Executive Summary,* the dominant perception of HP is as a hardware manufacturer. *Exhibit II-1* shows how respondents rated HP across 5 classes of information technology and services companies. If we eliminate the Instrument Manufacturing category from the ratings, it becomes quite clear that HP is perceived primarily as a hardware manufacturer. From a competitive viewpoint, this places HP up against IBM, Digital, Unisys, Amdahl, Hitachi, Fujitsu, Machines Bull and ICL at the high end of the product line; and head-to-head with a host of companies competing in the workstation, peripheral and PC markets. This section will present INPUT's views on how HP compares to firms that participate in multiple markets against HP. *Chapter III - Business Line Analysis* will focus on how it compares with its competition on key specific product offerings.

Exhibit II-1

PERCEIVED COMPANY IMAGE CLASS

Image Class	Rating
Hardware Mfg.	4.9
Instrument Mfg.	4.2
Systems Co.	3.2
Services Co.	2.6
Solution Provider	2.2

Image Rating (1-5), 5 High
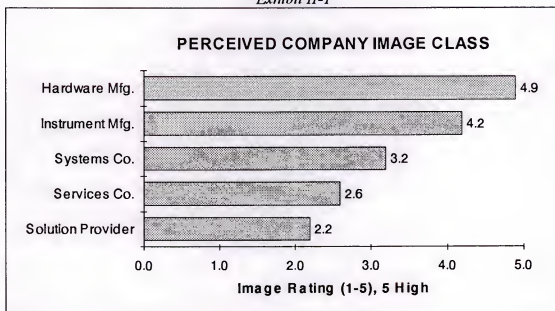
1. Digital Equipment Corporation (DEC)

Just one rank ahead of HP in terms of revenues of U.S. computer manufacturers, DEC is undergoing (not without significant pain) a major restructuring of its position in the market. Until the late 1980s DEC' could be characterized primarily as a high quality systems manufacturer with a complete line of integrated products appealing primarily to businesses focused on engineering and manufacturing. To a large degree, this was not unlike HP's image today.

Through a network of value-added resellers and partners providing applications software, DEC achieved significant penetration into industries beyond manufacturing and engineering during the late 1980s and has made a conscious decision to focus on services and solution selling for the 1990s. It has a full line of products and excellent network offerings; and it is embracing a strategy of open systems (comparable to HP's) which allows it to position itself head-to-head against companies like IBM, Andersen and others in offering fully integrated solutions to end-users.

DEC has built an Enterprise Services division with capabilities in applications development, systems integration and systems operations to integrate its (and other company's) hardware offerings into solution packages, and revenues in this area have grown from $140 million in 1988 to over $600 million in 1991. It offers pricing which is more attractive than HP's and presumably makes up the difference in margin by the value-added provided through its services and integration strategy.

2.   **IBM Corporation**

Not unlike DEC, IBM has gone through considerable adjustments to the market in recent years. Current trends to downsizing, open systems, and solution buying coupled with decreasing margins on large proprietary mainframes have forced IBM into a "get with it" strategy. This requires solution selling, vertical industry focus and a willingness to deal with heterogeneous computer environments. IBM now treats consulting, outsourcing, systems integration and professional services as separate lines of business. Given the large potential of the market for integrated solutions, IBM should get a lion's share; and its revenues in these areas are growing rapidly. However, it will take some time before IBM can evolve the culture and processes necessary to get the herd of elephants to act like a pack of wolves in terms of attacking specific market opportunities.

The common ground with HP is really in midrange systems, workstations and PCs. This pits HP's product line against IBM's AS/400 midrange (a jewel that IBM doesn't seem to get maximum leverage out of), the RISC/6000 and IBM's line of personal computers. INPUT's views on how HP stacks up in this area will be presented in *Chapter III - Business Line Analysis;* but in summary, IBM wins in most markets with the AS/400 and probably has an inferior image compared to IBM and DEC in workstations and PCs. Both HP and IBM are considered more expensive than DEC.

3.   **Other Competitors**

Unisys, NCR, and a number of foreign competitors participate in HP's mini, workstation and PC markets. Most of the competition is on a niche basis. Clearly HP's overall recognition in the market is superior to most of these competitors. Yet each competitor has some specific niches in which it has particular market dominance on the basis of its technology or industry knowledge. Some specific areas worthy of note and relevant to HP's market position are as follows:

- Unisys has a strong presence in financial markets and is making a good reputation in image processing in a variety of industries.

- NCR should not be underestimated. Its somewhat cantankerous marriage with AT&T provides a wealth of R&D which could potentially leverage NCR's position in the market as a technology innovator.

- Tandem has some unique niches with regard to non-stop computing that HP does not appear to be able to challenge. It also supports an industry-oriented focus, which is the preferred way to market for solution selling.

- Sun Microsystems still leads the way in workstations at the moment, although new pricing strategies and product announcements place HP in a potential leadership position.

D.   Summary

HP's overall image is one of a quality manufacturer of information technology products; a very large niche company. Probably unknown in consumer markets with the exception of its calculator and laser printer offerings, HP in a way is the "grande dame" of Silicon Valley firms. By some accounts the founder of the Valley, HP remains conservative and somewhat provincial as a corporation, despite a worldwide presence. Many of its innovative concepts have been left for its offspring or Valley upstarts to develop.

Despite different strategies across different world geographies and product divisions, HP's single unifying element seems to be quality. Based on the limited sample taken in this study, HP has done little in terms of promoting that attribute as a unifying element in the promotion of its image.

Although there appears to be some evidence in the press that HP is setting up a systems integration function, HP has not elected to adopt an overall strategy of selling integrated solutions directly to end users, an approach being adopted by all its major competitors. INPUT believes that embracing such a strategy will be key to the survival of hardware manufacturers in the 1990s. Unless HP looks to that approach, it's likely that it will find itself (if not already) a second-tier vendor.

III.   BUSINESS LINE ANALYSIS

As part of INPUT's survey, respondents were asked to give their opinions of how HP is perceived with regard to a specific set of product and service offerings (lines of business). Interviewees were also asked to list HP's major competitors in each line of business and offer any comments they might have regarding HP's competitive position. The product/service areas covered were:

- Mini Computers
- Peripherals
- Workstations
- Personal Computers
- Personal Printers
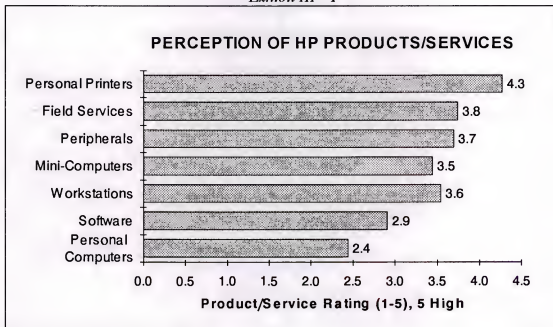- Software Products
- Field Services

Section A, below, analyzes respondents views on HP's image with regard to each line of business. *Section B* analyzes the competitive environment for each line.

A.   Perceptions of HP's Offerings

Exhibit III - 1 shows the average of the survey responses to the question, "How do you believe the industry rates HP against its competitors for each line of business?" A scale of 1 to 5 was used with one representing an "inferior" position and 5 a "superior" position. The responses have been ranked from high to low and are discussed in that order.

Exhibit III - 1

PERCEPTION OF HP PRODUCTS/SERVICES

Category	Rating
Personal Printers	4.3
Field Services	3.8
Peripherals	3.7
Mini-Computers	3.5
Workstations	3.6
Software	2.9
Personal Computers	2.4

Product/Service Rating (1-5), 5 High

- *Personal Printers* - Clearly HP's strong point, the rating of 4.3 is significant even in this small sample. The flagship offering, the HP Laserjet series, is the uncontested runaway for most personal, desktop and local-area network (LAN) applications. Now equipped with the ability to use the Postscript language, HP's printers go head-to-head with the Apple Laserwriter as well. Virtually every major writer of PC software has made HP the priority printing engine in terms of providing software drivers to insure that their products can utilize the printer. The explosion of Microsoft's Windows environment along with other graphical user interfaces guarantees growing demand for increasingly sophisticated printers at all price levels.

  Further developments using ink-jet technology as well as color printers at reasonable prices will continue to give HP a strong position with an entire family of printing options. This line of offerings coupled with HP's emerging strength in scanners for personal and commercial use places HP in an enviable position. However, without a strategy that packages this technology with others, HP could become a victim of the clone makers, just as IBM's market share leadership in PCs was eroded.

- **Field Service** - HP has long enjoyed a good reputation for providing high quality field service (hardware maintenance and support) for its computers, peripherals and other "in field" technology. This reputation is worldwide and HP has invested heavily in applying new technologies and innovative concepts to delivery of this service to remain cost competitive and state of the art. Diagnosis and support are delivered through a worldwide integrated network providing 24-hour-a-day access to on-line analysis tools and data bases.

  It should be noted that this is one area in which HP has taken a "total solutions" approach, expanding services to deal with facilities management of entire user networks, including non-HP hardware and key software packages. As in some other lines of business, respondents felt that HP did little to proactively promote this extensive capability.

  The downside in this area of HP's business is that field service is increasingly competitive. As field installed hardware becomes increasingly self-diagnostic, offerings will need to become increasingly sophisticated (read value-added) to maintain growing revenue streams and healthy margins.

- **Peripherals, Minicomputers, Workstations** - Respondents ranked HP above average but not superior in these three categories. In general, HP is well thought of in all three areas, but there are plenty of competitors knocking at the door. And with new product innovation continually producing more cost competitive offerings, HP, like other hardware manufacturers will need to continue to make heavy investments in product development just to hold on to market share. Furthermore, with the possible exception of workstations and one or two vertical markets, HP is perceived as an OEM (Other Equipment Manufacturer), i.e. it providies one or more components to a total solution being sold by a turnkey systems, systems integrator or other value-added reseller. This places a good deal of its potential market in the hands of third parties.

  HP's quality and reputation for technology will probably permit it to hold its own in all these areas. The bright spot is probably workstations, where the acquisition of Apollo coupled with HP's R&D, can keep it at the leading edge in a rapidly growing market.

- **Software Products** - Respondents certainly don't rate HP high as an industry leader in software products (2.9), even though HP has its high points in this area. The development of specialized software for manufacturing and health care, systems software such as New Wave (object-oriented interface) and UNIX implementations for open systems all have demonstrated HP's capabilities with software. However, consistent with HP's overall hardware product line orientation, nothing has been done to pull this capability together in such a way that the industry perceives HP to be in the software business.

  Recently, HP has taken a more aggressive position in software. Lobbying to make its developments in UNIX, along with products like New Wave, industry standards could yield additional revenues from the sale and licensing of software, and also provide added-value to its hardware products through improved functionality.

- *Personal Computers* - It's INPUT's position, and survey respondents seem to agree (rating 2.5), that HP has missed the window of opportunity to compete in this market as a major commodity player. There is nothing unique about HP's offering, and it's hard to believe that it can remain price competitive in a market where margins are constantly decreasing. The real hope for HP in this area would be a bundling of its PC offering as part of a total solution package. Two respondents commented that they had selected HP for their personal computer standard only because of HP's ability to provide high-quality service and parts on a worldwide basis.

Overall, respondents to the survey felt that the industry viewed the majority of HP's product and service offerings with respect; HP has an obvious leadership position in the desktop printing area.

B. Competitive Position for Individual Product Lines

Exhibit III - 2 summarizes respondents' thoughts on competitors who are better perceived in HP's primary business lines. *(No responses were received regarding competition in field services or peripherals. See Note below.)* The field labeled *Competitor/Count* gives the name of the competitor that was cited as superior and the number of mentions. The *Comments* field gives the primary reason(s) why the competitor was cited.

Exhibit III - 2
HP's COMPETITIVE POSITIONING BY BUSINESS LINE

Business Line	Competitor/Count		Comments
Personal Printers	Texas Inst.	2	- Better price performance
	Apple	2	- Superior handling of Postscript
Mini Computers	DEC	8	- Full offering, solution oriented
	IBM	6	- AS/400, applications software
	Tandem	2	- Fault tolerance
	Other	2	- Plug compatible - better price
Workstations	Sun	9	- Technology, software
Software Products	Microsoft	6	- PC operating systems/apps.
	Oracle/Ingress	4	- Database/SQL Offerings
	Various	3	- Applications software
Personal Computers	Clone	10	- High quality clones (Dell)/price
	COMPAQ	7	- Full product line
	IBM	5	- Installed base
	Apple	3	- Unique interface

Note: Since field service is a proprietary business dependent on the hardware supported, identification of specific leaders would be out of context for purposes of this survey. In the case of peripherals, the audience sampled largely felt they were unqualified to comment on who might be superior, or indicated that they could only answer for specific classes of peripherals. That level of depth was beyond the scope of this study.

INPUT interprets the results presented in *Exhibit III - 2* as follows.

- As reinforced by the earlier findings, HP enjoys an unparalleled position in the desktop printer market. The competitors listed with potentially superior offerings were either clones or unique products such as Apple's Laserwriter tailored for Postscript.

- In the minicomputer area the dominant competitors are clearly DEC and IBM. The reasons cited play largely to the notion that both vendors provided a richer set of offerings with more off-the-shelf software in most application areas and service capabilities available to provide total solutions.

- Workstations are harder to call. The only competitor listed as potentially superior was Sun. A number of respondents indicated that that superiority may only be transitory.

- Results in the PC and software area reflect INPUT's earlier assertion that HP is essentially a minor player. In general, respondents felt that you could get more for your money and perhaps a richer set of options on the PC side of the equation by dealing with traditional large vendors like Compaq and IBM or by going with high-class clones such as Dell.

  Responses regarding software cited some specific areas where HP had produced unique applications or operating system-oriented products, but indicated that by and large respondents don't consider HP to have more than a handful of specialized offerings at the moment.

IV. VERTICAL/CROSS-INDUSTRY MARKETS

Interview responses regarding either vertical industry or cross-industry markets were fairly consistent. In the cross-industry area HP is perceived to have a strong industry position in science/engineering and desktop automation. Process manufacturing, discrete manufacturing, health care and, to some degree, financial services are the vertical industries in which HP seems to have a niche. *Exhibit IV - 1* summarizes HP's position in cross-industry markets.

Exhibit IV - 1
HP's POSITION IN CROSS-INDUSTRY MARKETS

Market	Product	Description
Science/Engineering	Workstations PCs Mini Computers CAD/CAM	Out of HP's heritage in scientific computing. Leverages HP's recent move to UNIX and other open environments. Some proprietary software developed by HP.
Desktop Automation	PCs Laserjet Scanners	Desktop publishing, office automation and networking capability. May leverage HP's field service and support packaged as Desktop Services.

Exhibit IV - 2 summarizes HP's position in key vertical industry markets.

<div align="center">

Exhibit IV - 2
HP's POSITION IN VERTICAL INDUSTRY MARKETS

</div>

Market	Product	Description
Process Manufacturing	Workstations PCs Minicomputers Instrumentation	HP's long history of process monitoring and control instrumentation combined with LAN capabilities provides a good opportunity for value-add in this industry.
Discrete Manufacturing	PCs Minicomputers Software Instrumentation	HP already has an established record in shop floor automation and control as well as some unique software. This industry continues to provide opportunities for HP solutions.
Healthcare	PCs Minicomputers Instrumentation	HP participates heavily in the health care instrumentation market and currently provides solutions for the health care industry.

Both vertical and cross-industry environments are where HP currently provides solution rather than product-oriented offerings. These may have great potential for further expansion.

V.   CONCLUSIONS/RECOMMENDATIONS

A.   Conclusions

- HP's industry image is already positive. However, the firm has no well-defined single image in the market other than as a manufacturer of high-quality information technology products and instruments.

- There are some areas where HP has a strong position in particular vertical industry or cross-industry markets. INPUT believes that to sustain market growth in an environment where computer hardware is increasingly becoming a commodity, these markets need to be leveraged and new ones developed.

- From a competitive viewpoint, HP is way ahead with regard to its desktop printer offerings. Other products examined with this small study seem to rank above average, but are not unique enough as individual offerings to be perceived as highly differentiated in the present market. Additional value-add is needed.

- HP's ongoing basic R&D and reputation for quality are probably under utilized in terms of creating its overall market image.

B.   Recommendations

INPUT believes that HP can increase its market share for existing products and services as well as develop new markets through a two-pronged approach; targeting full solutions through the integration of existing products as well as those of alliances, and better promotion of its existing offerings through packaging. The following outlines the recommendations that INPUT would make to HP, to accomplish those objectives.

- At the corporate level, leverage quality and R&D as the underlying dominant image of HP in the information services market.

- Consider the formation of cross-divisional marketing organizations to develop and refine industry, and cross-industry-specific solutions. Promote these as utilizing the corporate theme of quality and state-of-the-art technology through research. *(Such organizations may exist within HP today. At the time of this writing, INPUT was unable to determine whether they did or didn't. If such organizations do exist they are not highly visible in terms of HP's promotional activity.)*

- Place more promotional emphasis on HP's commitment to open systems and alliances with software and services firms that will permit the development of full solutions.

- If, in fact, HP is planning to develop an internal systems integration capability, utilize it to promote and market the total solution approach focused on key vertical and cross-industry markets.

APPENDIX A

Hewlett-Packard Image Study Interview Guide

HEWLETT-PACKARD IMAGE STUDY
Interview Guide

Name: _____
Title: _____
Company: _____
Address: _____
_____
City/State/Zip: _____
Telephone: _____

We are trying to gather information on your perceptions of Hewlett Packard as a participant in the information services industry. It would be greatly appreciated if you could provide us with the answers to a few brief questions to assist us in getting your impressions regarding HP's overall image, your viewpoints on some specific classes of products and service offerings, and any other thoughts you might have regarding HP's participation in the market.

1.0   The following five terms describe ways in which HP and other companies in the industry might be characterized. On a scale of 1 - 5 please give me your impression of the degree to which the term applies to HP. (1 = Not applicable, 5 = Very applicable)

_____ Systems Company (Hardware/Software)
_____ Services Company
_____ Hardware Manufacturer
_____ Instrument Manufacturer
_____ Solution Provider

2.0   Using the same 1 to 5 scale, to what degree to you perceive HP to have a single image in the marketplace?

_____

2.1   What would you say that HP's overall image is?

_____
_____
_____
_____

3.0   HP, like other major industry players, participates in a variety of vertical and cross-industry markets. I'd like you to list each vertical or cross-industry market where you believe that HP has a significant position. For each one, I'd like your comments as to what HP products or services help give HP a good market position.

Market	Comments

3.1   Do you have any other comments on HP's position in vertical or cross-industry markets?

_____
_____
_____
_____

4.0   On a scale of 1 to 5 how would you rate HP's image with regard to quality?

_____

4.1   What products or services would you say give them it quality rating? (Good or Bad.)

_____
_____
_____
_____

5.0   Could you please give me your view on how you believe the industry rates HP against its competitors in each of the following categories of product or services? (1 = Low, 5 = High) I'd also like your impression of which of HP's competitors have superior offerings in each category.

Rate	Product/Service	Comments on Competitors
	Mini Computers	
	Peripherals	
	Workstations	
	PCs	
	Printers/Desk	
	Software	
	Field Services	

5.1 Are there products or services that I failed to list that you would like to comment on? If so, please rate and describe them below.

Rate	Product/Service	Comments on Competitors
____	_____	_____
____	_____	_____
____	_____	_____

6.0 What is your perception of HP's current corporate-level advertising in terms of conveying a company identify or image? (Please use the 1 to 5 scale, 1 = Ineffective, 5 = Very effective.)

_____

6.1 What is your perception of HP's product or division specific-advertising? (Please use the same rating scale as above.)

_____

7.0 Do you believe that the market perceives HP as primarily a holding company or a provider of integrated solutions? Please check the appropriate box below.

❑ Holding Company
❑ Integrated Solution Provider

8.0 Please give me any other information that you think might be relevant to evaluating HP's image in the information services marketplace.

_____
_____
_____
_____

Thank you for your cooperation. Your responses will be kept in strictest confidence and will make a valuable contribution to this study.

APPENDIX B

STUDY PROPOSAL

HEWLETT-PACKARD IMAGE STUDY
For: McCANN-ERICKSON

BACKGROUND AND OBJECTIVES

A.   **Background**

McCANN-ERICKSON, one of the leaders of the advertising industry, is seeking information on Hewlett-Packard's position in the information systems and services industry. In particular McCANN-ERICKSON would like to gain a better understanding of HP's overall image and how it is perceived by its customers and competitors in the various information technology and services markets it serves. To support McCANN-ERICKSON in obtaining the best information available, the agency is considering engaging a market research and consulting firm with specialized knowledge in HP's industry group, and has asked INPUT to propose an approach.

INPUT proposes a two-phased approach with the following specific objectives and scope.

B.   **Objectives & Scope**

1.   *Phase I - Generation of an Industry Competitive Profile*

INPUT will prepare from its existing data base of information on HP and its competitors a written profile of HP and the business of its five major divisions. The profile will briefly outline the products and services provided, major competitors for its various lines of business, and INPUT's assessment of HP's image in these businesses based on its familiarity with HP's markets, customers and competition.

To wrap up *Phase I* INPUT will deliver a half-day session to review the profile, and discuss with McCANN-ERICKSON areas where additional information might be required. In addition, at this session, INPUT will present background information on the markets and competition in the various industry groupings in which HP participates.

2.   *Phase II - Field Research - HP's Image*

Based on the results of *Phase I*, INPUT will develop, with McCANN-ERICKSON, an interview vehicle for field research. Utilizing INPUT's knowledge of the appropriate contacts in the industry, INPUT will conduct a 20 - 30 interview survey to gather information on HP's corporate image. Interviews would be split between domestic and international interviews (2/3 to 1/3). Results of this survey would be tabulated and analyzed to provide McCANN-ERICKSON with more detailed information relevant to gaining an understanding of HP's image.

Depending on the results of this initial survey INPUT could extend the research study to focus in on HP's specific business units. Most likely this phase would involve the development of specific interview vehicles for each major business/market area. INPUT believes that with its knowledge of the industry these more detailed studies could be conducted with between 15 and 20 interviews each. They would provide specific information on HP's image in specific market areas which would be useful in formulating an overall view of HP.

DELIVERABLES

1.   *Phase I - Generation of an Industry Competitive Profile*

   - Current profile of HP including information previously described.
   - On-site meeting to present profile and define further information needs.

2.   *Phase II - Field Research - HP's Image*

   - Written report including a discussion of methodology, analysis, results and recommendations.
   - On-site meeting to review results.

FEES AND SCHEDULES

A.   **Fees**

INPUT's total fee for *Phase I* is $5,000 payable upon authorization. The high level field research study proposed in part one of *Phase II* is estimated at $12,500; and the more in-depth studies of individual businesses will be individually estimated depending upon McCANN-ERICKSON's requirements.

Travel and other incidental costs associated with field research studies (including telephone, reproduction, etc.) will be billed at cost and estimated as part of each study proposal.

B.   **Schedules** - To be mutually determined by McCANN-ERICKSON and INPUT.

QUALIFICATIONS/STAFFING

A.   **Qualifications**

INPUT is well qualified to assist McCANN-ERICKSON in providing the desired information. As a leading market research and consulting firm to the information services industry, INPUT has 17

years of experience in analyzing markets, vendor strategies, user requirements and customer satisfaction.

INPUT's network of key vendors users and industry analysts puts it in a unique position to gather the types of information that McCANN-ERICKSON requires to gain an objective assessment of HP's image. And, its existing data base of industry research provides a context for assessment of HP's current positioning.

B.   **Staffing**

This engagement will be under the overall direction of R. Dennis (Denny) Wayson, Vice President and General Manager of INPUT.

DURATION OF THIS PROPOSALS VALIDITY

This proposal will remain valid for a period of 30 days.

AUTHORIZATION

Authorization of this project may be completed by signing and returning a copy of the proposal to INPUT, together with the payment of $5,000. Upon acceptance by INPUT, a countersigned copy of the proposal will be returned to McCANN-ERICKSON.

ACCEPTED BY: **AUTHORIZED BY:**
INPUT   **McCANN-ERICKSON**

_____   _____
Signature   Signature

_____   _____
Name   Name

_____   _____
Title   Title

_____   _____
Date   Date